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COMMERCE, DEPARTMENT OF

"Audit and Evaluation of Computer Security" is the title of a report recently issued by Commerce's National Bureau of Standards (NBS). The publication is a consensus report produced by participants in a workshop sponsored last March by NBS in association with the General Accounting Office. The participants, experts in the audit and computer fields, discussed and reported on 10 topics, among which were: internal audit standards; audit considerations in various system environments; program integrity; post-processing audit tools and techniques, and interactive audit tools and techniques. Copies of the report are available from the GPO for \$4.00 each (S/N 003-003--1848-1).

Accountants will be included in the 1977 Economic Census which is now getting under way. This will be the first time that accountants as practitioners will be covered by the census — in the past they have only been called upon to complete census reports for their clients. The Economic Census is conducted every 5 years by the Bureau of the Census to measure the extent of the nation's economic activity. The data collected are a major input to the National accounts, and are used by business firms to compare their operations with others in their business or profession. Questionnaires will be mailed out to business firms early in January 1978 and the deadline for their return is 2/15/78. Federal law required that recipients complete their questionnaires but also guarantees the confidentiality of the information supplied.

The Census Bureau has issued three special reports showing revised current business estimates. The first report shows revised monthly retail sales from January 1977 to August 1977. The second and third reports concern wholesale trade and selected service industries. The revisions are the result of a major change in the Bureau's current business sample surveys and reflect a new sample design, a new sample of firms and updated business classifications. To obtain copies of these reports contact the Bureau at 301/763-7472.

GENERAL ACCOUNTING OFFICE

"Tax Treatment of Employees and Self-Employed Persons by the Internal Revenue Service: Problems and Solutions" is the title of a recent report concerning the difficulties experienced by the IRS, businessmen, accountants and lawyers in determining or agreeing on whether a person is an employee or self-employed for income tax or social security purposes. Disagreements frequently result in double taxation of individuals after the IRS changes the determination made by a business firm, accountant or lawyer. GAO recommends Congress amend the Internal Revenue Code to provide more precise criteria to define employees and self-employed persons and ways to prevent the same income from being taxed twice. Copies of this report are available from the GAO for \$1.00 each (S/N GGD-77-88).

HEALTH, EDUCATION AND WELFARE, DEPARTMENT OF

Final regulations affecting the grant program for migrant health services have been issued (11/25/77 Fed. Reg., pp. 60406-18) Section 56.113 and .114 contain the requirements for grantee accountability and applicable disclosure and reporting requirements. The administrative requirements for 45 CFR part 74 are incorporated by reference.

Proposed regulations implementing the Community Service and Continuing Education Program appear in the 11/28/77 Fed. Reg., pp. 60574-78. They revise and expand the provisions of the program to require that such programs be considered in co-equal status with all community service programs. Included are requirements providing for independent evaluations and the submission of financial reports in accordance with departmental requirements. Comments are due prior to 1/12/78.

In addition final regulations implementing the Office of Education Student Consumer Information Service Program appear in the 12/1/77 Fed. Reg., pp. 61943-478, Section 178.7 contain the compliance procedures recordkeeping and audit requirements, and, in addition, Section 178.8 provides that a comprehensive audit of an institution's transactions relating to its use of administrative cost allowances received shall be performed by the institution or at the institution's direction to determine, at a minimum the fiscal integrity of financial transactions and reports and whether such transactions are in compliance with applicable laws and regulations. Such audits shall be performed in accordance with the DHEW "Audit Guide" for student financial aid programs.

LABOR, DEPARTMENT OF

A checklist for preparing summary plan descriptions required under ERISA has been issued by DOL in an effort to assist employee benefit plans which may be experiencing difficulties. The 21-step list is designed to assure plan administrators that they have completed all necessary actions before filing the plan descriptions. However, the checklist is only a guide, and does not provide extensive information regarding complete rules and regulations governing these filings. For further information contact William C. Russell at 202/523-8921.

SECURITIES AND EXCHANGE COMMISSION

House and Senate conferees have reached tentative agreement on the questionable payments bill, S.305. Under a compromise proposal worked out by House and Senate staffers, the proposed "Foreign Corrupt Practices Act of 1977" would require securities issuers to maintain books, records and accounts and to devise internal accounting controls that would provide assurances that improper or questionable payments were not taking place. Final agreement on the corporate bribery bill and the signing of a conference report is expected December 6.

A Senate amendment to the utility rate portion of the energy bill that would have modified Section 503 of the 1974 Energy Policy and Conservation Act with respect to the development of uniform accounting principles in the oil and gas industry was deleted, although the conferees agreed that public hearings should be held early in 1978 to fully consider these issues. The SEC will also consider the competitive impact of any changes in public financial reporting by producers of oil and gas, and the conferees added that it was hoped this would include the possible effects on oil and gas explorers and producers. It was also expected that the FASB would postpone the effective date of the proposed standards in this area until the first quarter of 1979, which will give the SEC sufficient time to determine, based on its own study, whether to support or reject the FASB's conclusion.

A revision of the Investment Company Act of 1940 has been issued by the Commission in report form. The "report" is a reprint of the Act (effective 6/4/77) with notations covering what amendments have been made. Copies of the report are available from the GPO for \$2.75 each (S/N 046-000-00112-5).

TREASURY, DEPARTMENT OF

The Supreme Court has ruled that meal allowances paid to state police are taxable income. The Court decided in Commissioner of Internal Revenue v. Kowalski that such payments were cash reimbursements and not meals furnished by the employer. The Court rejected arguments that the meal allowance program for the convenience of the employer and excludable from tax. The decision could affect other employees that receive cash payments for meals.

Tax shelter partnerships, release of information to tax payer representatives and withholding income taxes on self-employed workers were some of the main topics discussed at the latest Commissioner's Advisory Group meeting at IRS. Commissioner Kurtz described a new training project for agents assigned to audit tax shelter partnerships as an example of oves to improve IRS monitoring of "taxpayer gambits." IRS officials expressed concern that any new system to improve information disclosure such as providing space on tax forms for the taxpayer to list the name of the representative authorized to deal with the IRS would prove too costly.

Commissioner Kurtz testified before the House Government Operations subcommittee on commerce, consumer and monetary affairs, that IRS recommends changing the tax treatment of oil companies' foreign royalty payments. The proposal would apply only to future royalty payments and would change the present foreign tax credit to a business expense deduction. This would represent a difference of \$5.3 billion for 19 companies. In a related event the SEC has announced it will study the issue to determine that if the IRS ruling was made retroactive, the 19 companies will be required to inform their stockholders of potential liability for back taxes.

The Senate Finance Committee may press for a one year extension of pre-TRA treatment of foreign income and replace it with a deduction for such items as cost-of-living and housing differentials as proposed by Sen. Ribicoff (D-Conn) in S.2115. The one year extension of pre-TRA treatment has passed the House (H.R. 9251) and has the support of the Treasury Department. Final action by the whole Senate may come before the end of this session.

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